



# Customer service trends and predictions 2020

# Foreword

In 2019, customer satisfaction as recorded in the UK Customer Satisfaction Index (UKCSI) continued to decline. There was a sharp increase in the number of organisations whose customers were less satisfied compared to the previous year. The number of customers experiencing a problem reached its highest ever level, with the failure to keep promises or commitments a particularly vexing issue. We also highlighted evidence that the impact of good or bad customer experiences is amplified depending on the extent to which an experience is personally important or happens at a difficult time. From January 2019, we refreshed the measures in the UKCSI based on research into customer priorities, highlighting the importance of trust, transparency, emotional connection and the need for organisations to demonstrate ethical and sustainable business practices.

At the same time, we continued to see evidence of the vital links between employee engagement, customer satisfaction, productivity, financial performance and reputation. In 2020, domestic and global pressures are likely to mean that service is even more crucial to the health of the UK economy. As we enter a new decade, we examine key trends that will shape organisations' relationships with customers and the quality of customer service.

As always, please give us your feedback and let us know about the vital issues and challenges shaping your service strategy so that we can support you through our research, products and services, events and networking.

With warm regards,

Jo Causon  
Chief Executive Officer

# 1. The global opportunity for services will come sharply into focus

In the next year, we expect the Brexit debate will move on from the terms of the UK's departure to concentrate on the future shape of the trading and economic relationship between the UK and the European Union.

The status of services in these negotiations will be central to the future health and prosperity of the economy and to realising the potential upsides of new global opportunities. Around 80% of UK GDP is generated by the service sector. In recent years, services exports have risen both to the EU and to a wider range of global markets. In 2019, the Office for National Statistics reported that UK exports of services in 2017 totalled £162.1 billion, up 13.7% on the previous year<sup>1</sup>. In the manufacturing sector too, services account for a significant and growing portion of revenues.

We believe there will be a growing awareness of the importance of service exports to the UK economy. Organisations will need to benchmark their customer service not just with the best in the UK but with leading global service organisations. There will be an increased focus on global opportunities for UK organisations and a need to understand the characteristics and preferences of different markets. As negotiations about future trading arrangements between the UK and EU evolve, organisations and businesses will need to remind government to keep the global opportunity for services at the forefront of its agenda.



<sup>1</sup> <https://www.ons.gov.uk/businessindustryandtrade/internationaltrade/bulletins/internationaltradeinservices/2017>

## 2. Uncertainty about the UK economy will continue

The 2019 general election presented voters with binary choices: Boris Johnson's version of Brexit, or the prospect of a second referendum; a continuation of the UK's variant of a free-market economic model, or a radical shift to an alternative model with greater involvement from the state.

We hope – and expect – that in 2020 the UK economy will grow more strongly than in recent years, fuelled by increased business and public sector investment. The outcome of the election suggests a clearer political outlook although negotiating the UK's future trading and economic relationship with the European Union will remain a primary focus of the new government.

A return to more robust economic growth will be welcome but it is not without risk for customer satisfaction. Some organisations may be tempted to chase growth in revenue and customer numbers and become distracted from delivering consistently high standards of service across the customer experience. In the public sector there is likely to be a mixed outlook, with some organisations struggling to maintain levels of service within tight financial constraints but others challenged by rapid scaling up in recruitment.

It is therefore timely to remind organisations that sustainable, long-term success is underpinned by consistently delivering a superior level of customer service.



### 3. A renewed focus on organisational culture

Since 2008, The Institute of Customer Service has published the UK Customer Satisfaction Index (UKCSI), giving an independent, objective benchmark of customer satisfaction performance across 13 sectors. As well as reporting the current state of customer satisfaction, the January 2020 edition features a 12 year retrospective, highlighting key developments that have influenced the customer experience environment, how the UKCSI has evolved and key learnings for organisations and service leaders.

Across the lifetime of the UKCSI, helpfulness and competence of employees have been amongst the strongest drivers of loyalty satisfaction. Customers want fast, efficient transactional service, but they also often seek personalised, empathetic help and advice.

In our most recent research, a broader range of attributes concerned with an organisation's ethos, emotional connection with customers, reputation and impact on society have emerged as powerful influences on high levels of customer satisfaction. Perceptions about an organisation's trustworthiness, openness and transparency, feeling reassured and the sense that an organisation genuinely designs experiences around its customers rank amongst the strongest drivers of high levels of satisfaction and loyalty.

One of the key learnings from the UKCSI is that consistently high performing organisations don't see customer service as a set of transactions or a discrete department but as a way of doing business that is fundamental to their values and purpose. This means developing a service culture that is founded on clarity of purpose and values supported by a constant focus on leadership commitment, employee engagement and operational excellence.

In 2020, there will be a renewed recognition that consistently high standards of service can only be delivered by developing a genuinely service-orientated culture. The Institute will continue in its mission to raise standards of service, highlighting excellent practice, providing research and insight and practical services and tools to help organisations build their culture and capabilities.



## 4. Recruitment will become more challenging and more important

Recruiting the right people has become a critical priority for many organisations. Our recent research<sup>2</sup> found that over 50% of managers believe that recruitment has become more difficult but 45% suggest that their organisation's level of recruitment is set to increase. Yet the rate of successful recruitment over the last year was just 52%, with an estimated cost to the UK economy of £17.6 billion in failed recruitment. Organisations face a dual challenge: the skills required for customer service have become broader, especially for communication, managing customer relationships, problem-solving and specialist areas such as data management; while in an economy with record employment levels the competition for skilled employees has intensified.

In 2020, improving the effectiveness of recruitment will be vital to delivering excellent service. We suggest a number of focus areas:

- Create closer collaboration between HR and operational teams to ensure that recruitment is aligned to the organisation's customer experience ethos and changing skills needs
- Review the organisation's proposition to employees – especially around pay, flexible working, and training and development opportunities – so that it is competitive and attractive
- Use a range of recruitment channels that are relevant to employees the organisation seeks to attract
- Ensure that recruitment content emphasises an organisation's values and purpose and how it engages with customers, employees and wider society, rather than just focusing on technical job descriptions and competences
- Train managers to be skilled and effective interviewers
- Enable candidates to spend time with employees, ask questions and observe employees at work
- Use practical exercises that replicate real-life customer scenarios as much as possible to assess employees' skills and attitude. We expect a growing trend for organisations to invite customers to participate, either formally or informally, in the employee recruitment process
- Reassess employee onboarding or induction to support the critical early phase of an employee's relationship with the organisation, their manager and colleagues.



<sup>2</sup> Are You Connected: recruiting, developing and retaining the skills for customer service excellence, available at [www.instituteofcustomerservice.com](http://www.instituteofcustomerservice.com)

## 5. A wider debate about the meaning of sustainability

The sustainability debate will broaden as customers face stark evidence about the links between personal tastes and consumption and the climate crisis.

The environment has continued to rise up the agenda for governments, the media and public through well-publicised episodes of climate instability, the activism of Extinction Rebellion and other groups, and compelling advocates ranging from David Attenborough to Greta Thunberg. Over 800 cities and jurisdictions worldwide have declared a “climate emergency.” In 2019, the UK became the first advanced economy to pass legislation to bring all greenhouse gas emissions to net zero by 2050. Our research has found that significant numbers of customers – though by no means all – actively give consideration in their buying decisions to an organisation’s record for single-use plastics, packaging, factory farming, fairtrade, ethical sourcing of products and environmental impact.

Percentage of customers who consider these more than they did 10 years ago, when choosing an organisation<sup>3</sup>

Ethical reputation	33%
Contribution to social good	30%
Single-use plastics	53%
Healthy options	52%
The environment	49%
Packaging	38%
Fairtrade	37%
Locally-sourced	35%
Factory farming	35%

However, there remain problematic contradictions between customers’ desire for convenience, fast delivery, wide availability of products, and general levels of consumption – and the changes in behaviour needed to reverse harmful climate change. Some individuals may feel that changes in their consumption habits have negligible impact in the context of the global economy and the policies of corporations and government. Even if customers deliberately choose what they believe to be sustainable products and services, to what extent does this take into account the impact of global and local supply chains and logistics that bring products to market? What are the optimum ways of sourcing and delivering products that meet customer needs but embed sustainability across supply chains and operations?

We expect these questions to become even more prominent in 2020. The sustainability debate will broaden and become more nuanced as customers’ awareness grows about the linkages between agricultural and manufacturing practices, business models, personal consumption and climate change. This broadening debate will present challenges and opportunities for organisations. Customers will look to organisations they trust to provide information and leadership on sustainability. Organisations will be expected not just to do the right thing in their business practices but to be active participants in finding sustainable solutions and business models.

<sup>3</sup> Research conducted for The Institute of Customer Service, October 2019

## 6. Greater transparency of service performance across regulated sectors

In recent years there has been increased focus from regulators on raising service standards through a combination of stimulating greater competition, removing barriers to switching, more information about organisations' customer service performance and, in some cases, promoting a customer and service-focused organisational culture. In the banking sector in particular, the FCA has published a range of customer service metrics to provide more information to customers and hold organisations to account.

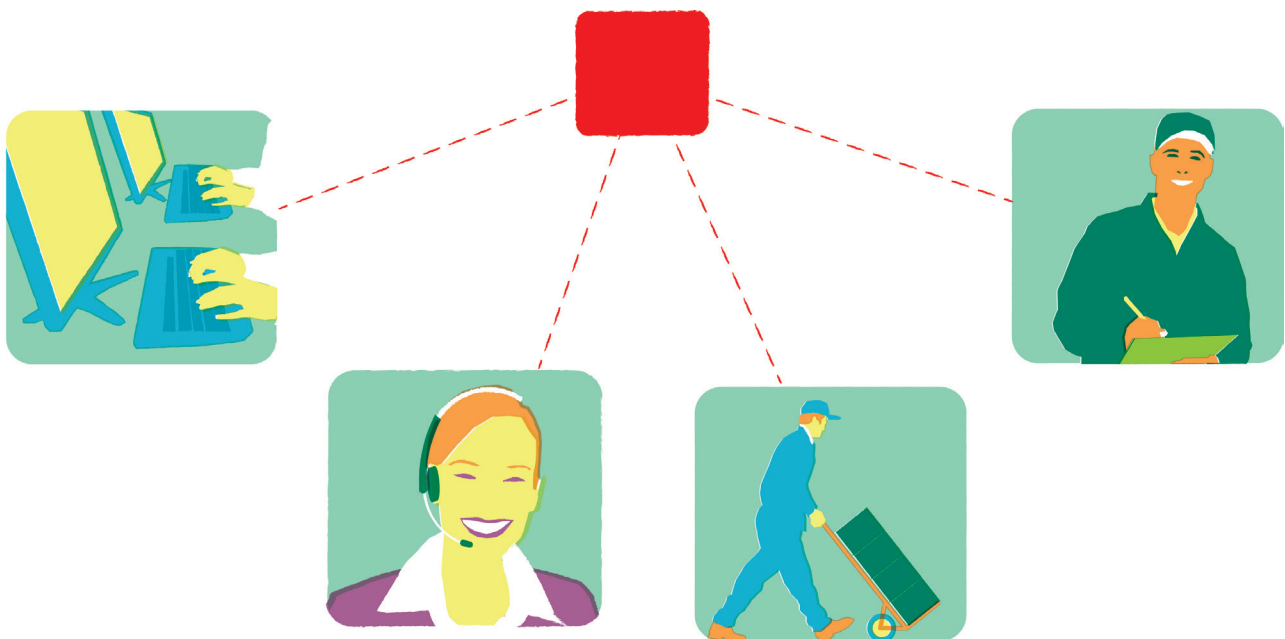
In the next year, we believe there will be a greater emphasis on benchmarking the customer satisfaction performance of organisations across regulated sectors, in addition to scrutinising organisations in the context of their own sector. Sectors such as Transport, Utilities and Telecommunications and Media typically rate below the UK average (as measured in the UK Customer Satisfaction Index) although in every sector there are examples of organisations that exceed the UK average as well as those that perform below it. Organisations in regulated sectors have a key role to play in raising standards of customer service in the UK economy. Greater transparency of customer satisfaction performance across a range of sectors will provide organisations, customers, regulators and policy-makers with objective information of how well regulation is working and where organisations need to improve.



## 7. A shift towards greater accountability and more local engagement in procurement

Procurement of key services and capabilities that affect customer experience is one of the most critical activities influencing an organisation's reputation and performance. In the private, public and third sectors, key elements of organisations' service are often outsourced or delivered through a mix of partners / suppliers. Procurement needs to balance requirements around value for money, consistency in customer experience, innovation and long-term focus on performance. There have been a number of highly publicised examples of procurement failures that have resulted in huge costs, reputational damage or even harm to the well-being of customers. In some cases, the complexity of relationships between service providers, contracting organisations and regulators has made accountability ambiguous or unclear.

We expect an increased drive to establish transparent accountability in procurement and management of services that are outsourced or delivered through a mix of partners and suppliers, especially in the context of vital public services. Central to this will be greater engagement and dialogue with customers in the procurement, design and ongoing governance of services.



## 8. The changing nature of work: flexible working; honest conversations; and mental well-being

As the demand for skills grows, the labour market tightens and employee engagement becomes more challenging, we identify three issues that will influence relationships at work, especially in a service context.

### **Flexible working that works for customers, employees and organisations**

Alongside pay, training and development opportunities, flexible working has emerged as a factor in attracting and retaining employees<sup>4</sup>.

Flexible working has perhaps been less common in customer service roles compared to other business and professional contexts, although there is evidence that employees think they are working more flexibly even if there is no formal flexible working arrangement in place<sup>5</sup>. In a tightening labour market, flexible working may enable organisations to recruit and retain skilled employees in key service roles, especially through use of technology solutions to enable remote working at varied locations and timeslots.

In addition, there is widespread evidence that flexible working can boost productivity, employee engagement and morale and business performance.

At the same time, some organisations in which flexible working is widespread are looking again at how to balance employees' aspirations for flexibility, being available for customers, productivity, delivering operational objectives and enabling a culture of collaborative working. In the coming year, we expect many service organisations to think and act more proactively about strategies that work for employees, customers and the organisation alike.

### **Equipping managers to hold “honest conversations”**

A manager's ability to engage effectively with team members is a cornerstone of employee engagement, productivity and performance but in many organisations it is a potential area of weakness.



<sup>4</sup> See Are You Connected: recruiting, developing and retaining the skills for customer service excellence, available at [www.instituteofcustomerservice.com](http://www.instituteofcustomerservice.com)

<sup>5</sup> CIPD, Mega Trends: Flexible Working, 2019

Managing a team, even of high performing employees, is never easy. But managing employees who are not meeting performance standards is a vital and challenging responsibility.

Yet many managers lack confidence in holding “difficult” or “challenging” conversations with employees who are not meeting required standards of performance. Key reasons for this reticence appear to be a preference to avoid confrontation, especially when a manager and employee interact frequently; concerns about the demands of a formal performance management process; in some cases a lack of confidence because a manager has not scheduled or recorded one-to-one meetings; and uncertainty about how to combine duty of care for an employee with holding them to account for their performance.

There is a continual need to refresh managers’ skills, give visibility of excellent practice, encourage peer-to-peer support and confront challenging situations. We expect that in the next year there will be a renewed focus on equipping managers with the skills and confidence to tackle challenging situations and conversations with both care and assertiveness.

### **A heightened focus on resilience and mental well-being**

It has been estimated that in a given year, 1 in 6 employees will have suffered from a mental health condition<sup>6</sup>. In recent years, public

awareness about mental health has grown and the stigma often associated with it has been challenged. In a customer service context, a range of issues have prompted an increased need for mental health and resilience awareness and training:

- Providing support for employees who regularly deal with challenging customer situations and may be exposed to verbal or physical abuse or intimidation. In large organisations, an employee assistance centre or counselling may be available but this is less likely to be present in smaller organisations
- Supporting managers who are required to deal with challenging employee situations including performance management or grievances
- Supporting younger employees in coming to terms with a performance-based culture and expectations of personal accountability.

It is not possible, or even necessarily desirable, to remove all stressful and challenging situations from the customer experience environment. But organisations have a duty of care to support employees’ mental well-being as much as their physical safety. Moreover, there are benefits for organisations, employees and customers in ensuring that managers and employees have greater awareness about the symptoms of mental strain and how to access help and support.

In 2020, education, prevention and management of mental health and resilience will be a key focus in many organisations.

<sup>6</sup> Source: Mental Health Foundation



## About The Institute of Customer Service

The Institute of Customer Service is the UK's independent, professional body for customer service, with over 500 organisational members and over 5,000 individual members.

Our purpose is to enable organisations to achieve tangible business benefits through excellent customer service aligned to their business goals and to help individuals maximise their career potential and employability by developing their customer service skills.

We provide tools and services to support continuous customer service improvement and a framework for our members to share and learn from each other.

We are independent – setting standards so that our customers can improve their customers' experiences and their business performance.

The Institute is the secretariat for the All Party Parliamentary Group on Customer Service.

## Key Activities

- Research and reports on the latest customer service trends and thinking
- Publication of the UK Customer Satisfaction Index (UKCSI) twice a year
- Benchmarking customer experience to identify areas for improvement, drawing on the views of both customers and employees
- Bespoke customer insight and research
- Training and accreditation programmes for customer service professionals
- Professional qualifications for individuals at all stages of their career
- Public policy development.

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